



Joint Legislative Audit Committee  
Office of the Auditor General



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**FINANCIAL AUDIT REPORT**  
**CALIFORNIA LAW REVISION COMMISSION**  
**YEAR ENDED JUNE 30, 1979**

REPORT TO THE  
CALIFORNIA LEGISLATURE

REPORT **F-999.16**

REPORT OF THE  
OFFICE OF THE AUDITOR GENERAL  
TO THE  
JOINT LEGISLATIVE AUDIT COMMITTEE

999.16

FINANCIAL AUDIT REPORT  
CALIFORNIA LAW REVISION COMMISSION  
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



# California Legislature

## Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI  
CHAIRMAN

October 17, 1980

999.16

The Honorable Speaker of the Assembly  
The Honorable President pro Tempore of the Senate  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the  
Auditor General's financial audit report of the California Law  
Revision Commission, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; Gus Demas;  
Geraldine Parks; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

S. FLOYD MORI  
Chairman, Joint Legislative  
Audit Committee

Attachment

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## INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the California Law Revision Commission. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The primary objective of the California Law Revision Commission is to study the statutory and decisional law of this State, to discover defects and anachronisms, and to recommend legislation to effect needed reforms. The commission may study only topics that the Legislature, by concurrent resolution, authorizes it to study. At the beginning of the fiscal year 1978-79, the commission's agenda included 26 topics, five of which were added during 1978. The California Law Revision Commission is supported by appropriations from the State's General Fund.

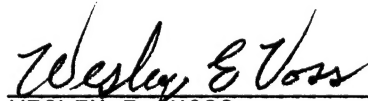
AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the California Law Revision Commission as of June 30, 1979 and the related statement of revenues, expenditures, and changes in operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the California Law Revision Commission at June 30, 1979 and the results of operations and changes in operating clearing for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1979 is not necessary for a fair presentation of the financial statements but is presented as additional analytical data and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
\_\_\_\_\_  
WESLEY E. VOSS  
Assistant Auditor General

Date: March 5, 1980

Staff: Curt Davis, CPA  
Romero Zamora  
Gus Demas  
Geraldine Parks  
Teri Yee  
Michael Tritz  
Charles Thrasher

CALIFORNIA LAW REVISION COMMISSION  
COMBINED BALANCE SHEET  
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP

JUNE 30, 1979

|  | Governmental<br>Fund Type<br><u>General<br/>Fund</u> | Account<br>Group<br><u>General<br/>Fixed Assets</u> | Totals<br>(Memorandum Only)<br><u>June 30, 1979</u> |
|--|--|---|---|
| <u>ASSETS</u>  |  |   |   |
| Cash   | \$ 683   | \$ --   | \$ 683  |
| Expense advances to employees  | 565  | --  | 565   |
| Equipment  | <u>--</u>  | <u>70,192</u>                                       | <u>70,192</u>                                       |
| Total Assets   | <u>\$ 1,248</u>                                      | <u>\$70,192</u>                                     | <u>\$ 71,440</u>                                    |
| <br><u>LIABILITIES, ENCUMBRANCES<br/>OUTSTANDING, AND FUND EQUITY</u>  |  |   |   |
| Liabilities:   |  |   |   |
| Accounts payable   | <u>\$ 25,308</u>                                     | <u>\$ --</u>  | <u>\$ 25,308</u>                                    |
| Encumbrances Outstanding   | <u>22,542</u>  | <u>--</u>   | <u>22,524</u>                                       |
| Total Liabilities and<br>Encumbrances Outstanding                      | <u>47,850</u>  | <u>--</u>   | <u>47,850</u>                                       |
| Fund Equity:   |  |   |   |
| Investment in general<br>fixed assets (Note 3)                         | --   | 70,192  | 70,192  |
| Operating clearing (Note 5)  | <u>(46,602)</u>                                      | <u>--</u>   | <u>(46,602)</u>                                     |
| Total Fund Equity  | <u>(46,602)</u>                                      | <u>70,192</u>                                       | <u>23,590</u>                                       |
| <br>Total Liabilities,<br>Encumbrances Outstanding,<br>and Fund Equity | <u>\$ 1,248</u>                                      | <u>\$70,192</u>                                     | <u>\$ 71,440</u>                                    |

The notes to the financial statements are an integral part of this statement.

CALIFORNIA LAW REVISION COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN OPERATING CLEARING - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

|  | <u>Budget as<br/>Adjusted</u> | <u>Actual</u>      | <u>Variance</u>   |
|--|-------------------------------|--------------------|-------------------|
| Revenues: (Note 2)   |                               |                    |                   |
| Sale of documents  | \$     --                     | \$   1,966         | \$   1,966        |
| Other financing sources:   |                               |                    |                   |
| Support appropriations   | 297,834                       | 250,651            | (47,183)          |
| Miscellaneous adjustments (Note 4)   | <u>          --</u>           | <u>     2,487</u>  | <u>     2,487</u> |
| Total Revenues and<br>Other Financing Sources                              | <u>297,834</u>                | <u>255,104</u>     | <u>(42,730)</u>   |
| Support Expenditures: (Note 2)   | <u>297,834</u>                | <u>278,721</u>     | <u>19,113</u>     |
| Excess of Sources over<br>(under) Expenditures                             | --                            | (23,617)           | (23,617)          |
| Other Financing Uses:  |                               |                    |                   |
| Intrafund transfers (Note 5)   | <u>          --</u>           | <u>(1,966)</u>     | <u>(1,966)</u>    |
| Excess of Expenditures and<br>Other Financing Uses over<br>(under) Sources | <u>\$     --</u>              | (25,583)           | <u>\$(25,583)</u> |
| Operating Clearing - July 1  |                               | <u>(21,019)</u>    |                   |
| Operating Clearing - June 30   |                               | <u>\$ (46,602)</u> |                   |

The notes to the financial statements are an integral part of this statement.



CALIFORNIA LAW REVISION COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the California Law Revision Commission. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type and an Account Group. The California Law Revision Commission accounts for only its portion of the fund type category. The State Controller maintains the central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The Governmental Fund Type for the California Law Revision Commission is the General Fund, which includes all financial resources accounted for by the commission.

The Governmental Fund Type is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year all income is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

## Liabilities

Retirement Plan - Regular employees of the commission are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the commission and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$26,651.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

## ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased, except for those acquired under an installment purchase contract as explained in Note 3, are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$37,985 during the fiscal year.

### 2. BUDGETED REVENUES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for revenues and expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

### 3. INVESTMENT IN GENERAL FIXED ASSETS

This account includes an unpaid balance of \$8,848 at June 30, 1979; the balance represents unpaid amounts on installment purchase contracts that are payable over the next 51 months in equal monthly installments of \$197.75. These monthly installments include interest at 7.0 percent on the unpaid principal.

### 4. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of revenues, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

5. OPERATING CLEARING AND INTRAFUND TRANSFERS

The Operating Clearing account is the connecting link between the records of the various state agencies and the central fund accounts maintained by the State Controller for the General Fund and other funds not accounted for entirely by one agency. The balance at June 30 represents the net assets and liabilities for which the California Law Revision Commission is accountable.

Intrafund transfers are cash receipts which the commission remitted to the State Treasury during the year. These receipts represent revenues.

### SUPPLEMENTAL INFORMATION

The annual legislative budget for support expenditures of the California Law Revision Commission is in total only. The following schedule shows the actual expenditures for the period as kept by the commission for management purposes.

CALIFORNIA LAW REVISION COMMISSION

SCHEDULE OF SUPPORT EXPENDITURES  
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

|                                  |                         |
|----------------------------------|-------------------------|
| Personal services                | \$200,534               |
| Operating expenses and equipment | <u>78,187</u>           |
| Total Expenditures               | <u><u>\$278,721</u></u> |

### OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the commission and at the Department of General Services (which maintains the commission's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the commission's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the commission in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The commission generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
Secretary of State  
State Controller  
State Treasurer  
Legislative Analyst  
Director of Finance  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
California State Department Heads  
Capitol Press Corps